

any building or any machinery, equipment, fixtures or furnishings contained or to be contained in any such building located in an area which has been identified by the Director of the Federal Emergency Management Agency (the "Director of FEMA") pursuant to the Flood Insurance Act as an area having special flood hazards unless:

- (i) Flood insurance has been made available, pursuant to the Flood Insurance Act, in the area in which the acquisition, construction, repair or improvement is proposed to occur; and
- (ii) The borrower has obtained flood insurance coverage with respect to such building, machinery, equipment, fixtures or furnishings as may be required pursuant to the Flood Insurance Act.

Accordingly, a finding shall be made on whether loan funds will be used to finance buildings, machinery, fixtures or furnishings located in an identified special flood hazard area. If loan funds are to be used in such a special flood hazard area, a provision will be included in the loan contract restricting the release of funds until all the requirements of the Flood Insurance Act have been satisfied.

(6) All environmental requirements must be met (see 7 CFR part 1794).

(b) [Reserved]

[54 FR 13356, Apr. 3, 1989. Redesignated at 55 FR 39396, Sept. 27, 1990, as amended at 56 FR 26600, June 10, 1991]

#### **§ 1737.91 Approval.**

(a) A loan is approved when the Administrator, or whoever is delegated authority, signs the administrative findings and the letter to the borrower announcing the loan.

(b) If the loan is not approved, RUS shall notify the borrower, in writing, of the reasons.

#### **§ 1737.92 Loan documents.**

Following approval of the loan, RUS shall forward the necessary loan documents to the borrower for execution, delivery, recording, and filing, as directed by RUS. See 7 CFR part 1758 for details (or RUS Bulletins 320–4, 320–22, 321–2, 322–2, 323–1, or 326–1).

#### **§§ 1737.93–1737.99 [Reserved]**

### **Subpart K—Release of Funds Procedure**

#### **§ 1737.100 Prerequisites to the release and advance of funds.**

(a) Standard prerequisites to the advance of funds, generally applied to all loans, are set forth in Article II of the form of loan contract attached as appendix A to 7 CFR part 1758. Additional prerequisites may be added on a case by case basis to the loan contract.

(b) Before any loan funds can be advanced, RUS must approve a release of funds.

(c) RUS approves the release of funds only after it determines that all prerequisites to the advance of loan funds have been met or funds should be advanced even though certain loan contract prerequisites remain unsatisfied.

(d) Following release approval, loan funds and related nonloan funds may be advanced in accordance with 7 CFR part 1744.

(e) The borrower may be required to discharge indebtedness and/or to close acquisitions before advances are made for construction purposes. In such cases, the borrower shall submit evidence that these actions have been completed. If the evidence is satisfactory to RUS, RUS shall allow the remaining loan funds to be advanced in accordance with 7 CFR part 1744.

(Approved by the Office of Management and Budget under control number 0572–0085)

#### **§ 1737.101 Amounts spent for preloan activities.**

If the borrower desires to credit amounts spent for preloan activities against any equity or general funds required by the loan contract, it shall submit an itemized statement of such expenditures to the Area Office. These expenditures will be accounted for on RUS Form 503, "Release of Telephone Loan Funds," if RUS determines that the amounts spent are reasonable based on normal industry practice and that the procedures set forth in 7 CFR